

School Finance

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PAYMENT CALCULATIONS

April Foundation Payment Calculation

The April Basic Formula payment, including Classroom Trust Fund, was calculated using the most current data available as reported by the district to DESE. It is important that the district compare DESE's calculations with those generated by the district. Please call or email School Finance at (573) 751-0357 (finadmgo@de.se.mo.gov) with questions or concerns about the district's calculations.

Estimated Regular Term Average Daily Attendance (ADA)

The estimated regular term ADA for 2015-16 may be provided to your School Finance Consultant to be entered on the Estimated ADA Screen. The Estimated ADA Screen is now located in DESE Web Applications by selecting School Finance and then selecting Estimated ADA. This screen also provides historical information, such as Membership, Enrollment, ADA and ADA percentage, that may be helpful when estimating an ADA.

The district would report an estimated regular term ADA for the **2015-16** year *only if the district's 2015-16 regular term ADA is expected to be greater than both the 2013-14 and 2014-15 regular term ADA figures* and the district wants to be paid in 2015-16 on the 2015-16 estimated number.

Regular term average daily attendance includes qualified remediation attendance outside the regular school day. Refer to the Finance website at <http://de.se.mo.gov/sites/default/files/sf-AAAttendanceReporting.pdf> for the description of qualified remediation attendance.

The local education agency (LEA) charter schools must provide an estimated regular term ADA to their School Finance Consultant for 2015-16. Payment is made to charter schools on current year attendance.

A worksheet to assist districts when estimating their ADA is available at <http://dese.mo.gov/financial-admin-services/school-finance/calculation-tools>.

Revisions to the 2015-16 estimated ADA may be made through **May 15, 2016**. Contact School Finance staff if you have questions about estimating ADA.

IMPORTANT REMINDERS AND TOPICS OF INTEREST

Professional Development (1%) Money

Section 160.530.1, RSMo, requires districts to spend one percent (1%) of the Basic Formula monies (based on Line 17B of the district's June basic formula calculation) for professional development committee expenditures. A minimum of seventy-five percent (75%) of one percent (1%) of the current year's Basic Formula current apportionment must be spent in the year received for purposes determined by the Professional Development Committee and identified in the professional development plan in relation to a school improvement plan. This is completely separate from professional development that may be required by other programs such as title programs. Expenditures should be recorded to Function Code 2214. Any portion of the other twenty-five percent (25%) of the one percent (1%) not expended during the year must be shown as a part of the restricted fund balance on June 30.

Districts can locate a projection of the 1% PDC expenditure on line 17 C of their Basic Formula Calculation. The final required PDC expenditure amount is calculated as of the June payment.

Minimum Salary Requirements

The minimum teacher's salary is \$25,000 and the minimum salary for a full-time teacher with a master's degree with at least ten years of public teaching experience is \$33,000.

All teachers are to receive at least their FTE proration of the applicable state minimum salary. Teachers include study hall teachers, in-school suspension teachers, and all others for whom the students' hours are included in the average daily attendance calculation for state aid. Substitute teachers filling a regular classroom teacher's position as the teacher-of-record for the class must be paid the minimum salary.

The penalty for noncompliance with the minimum salary requirements of Section 163.172, RSMo, is stated in Section 163.021.3, RSMo. The statutory penalty for noncompliance is a reduction of the Basic Formula to the 1993-94 amount per eligible pupil. Therefore, it is important that each district ensures compliance with the minimum salary requirements. Questions on specific situations may be directed to the School Finance staff at 573-751-0357.

Non-Certificated Educators – Attendance Hours Adjustment

Attendance hours for any educator without a valid teaching certificate will be disallowed for state aid payment purposes. State law requires all school district personnel who are responsible for working with students in an instructional or supervisory capacity during the school day to have a valid Missouri teaching certificate. This applies to in-school suspension teachers as well as those supervising study hall, recess, virtual courses taken in school, or other computer based instructional programs taken in school. A substitute certificate meets the requirement of a certificate when the employee is functioning as a substitute teacher in the absence of the teacher-of-record or is employed as the teacher-of-record.

A report is available on the Data Collection web application system which will identify educators within the district that do not have a valid certificate on file with the Department of Elementary and Secondary Education. To access this report in the Data Collection system, go to the left hand navigational tree and select Reports, then Special Reports, then Staff Certification.

The Department will prepare a list of educators meeting the following criteria:

1. did not hold a valid Missouri educator certificate for the regular school year teaching assignment or;
2. has a certificate pending but did not initiate the required background check.

School districts notified they have an educator(s) that met the above criteria must provide School Finance with the attendance hours by building and by grade for all students who were under the supervision of those educators since the educator did not have a valid certificate. These hours of attendance will be excluded from the total hours of attendance for the school year.

Attendance Recovery

There is no allowance in state statute that would allow for the make-up of attendance hours. A school district may require a student to make-up time for excessive absences; however, this does not allow the district to count those hours as attendance hours for the student.

Attendance Reporting

For guidance regarding various attendance reporting scenarios please refer to the Attendance Reporting document on the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance/finance-topics-procedures>.

2015-16 Annual Secretary of the Board Report (ASBR) Updates

Several changes have been made to the 2015-16 ASBR. These updates are listed on the School Finance web page at <http://dese.mo.gov/financial-admin-services/school-finance/annual-secretary-board-report-asbr>.

2015-16 Audit Schedule of Selected Statistics

A copy of the 2015-16 Schedule of Selected Statistics that is to be included in the 2015-16 audit report is available on the web at <http://dese.mo.gov/financial-admin-services/school-audits>. The district should print and keep a copy as a reference when it reviews the 2015-16 audit report prior to submitting the audit report to DESE. The district is encouraged to compare the information the auditor reports on this Schedule to the data the district submitted through MOSIS, on Core Data, the Annual Secretary of the Board Report, or other reports and resolve any differences prior to submitting the audit report.

Audit Requirement Changes

On December 19, 2014, the Federal Government combined the OMB Circulars and issued new guidance for federal awards, OMNI Circular 2 CFR Part 200.

This new guidance became effective on July 1, 2015 (2015-16 school year) for school districts and charters. This new guidance will be **audited in the 2015-16 audits**. A few of the major changes in this new guidance relating to audit engagements are listed below:

1. The amount of federal expenditures required to obtain a single audit has **increased to \$750,000** from \$500,000. (§200.501)
2. Additional clarification on the auditor selection process for districts and charters. If the Districts or Charters board policy is more restrictive than this new guidance use the policy, but if it is not, use this policy for auditor selection.

In procuring audit services, the auditee must follow the procurement standards prescribed by the Procurement Standards in §§ 200.317 Procurement by states through 20.326 Contract provisions of Subpart D- Post Federal Award Requirements of this Part or the FAR (48 CFR Part 42), as applicable. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity (the district/charter) must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS (Generally Accepted Government Auditing Standards). Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services as stated in § 200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms, or the FAR (48 CFR Part 42), as applicable. (§200.509(a))

3. The auditee must also prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. (§200.510(b))
4. Corrective Action Plans for audit findings. At the completion of the audit, the auditee must prepare, in a **document separate from the auditor's findings** described in § 200.516 Audit findings, **a corrective action plan** to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons. (§200.511(c)).

Missouri Accountability Portal (MAP) – Debt Reporting

Section 37.850, RSMo, requires school districts to report all bonded indebtedness and requires charter schools to report all debt. This information shall be supplied to Office of Administration (OA) for display on the State's Accountability Portal.

If a school district issues new bonds or a charter school enters into debt obligations the new debts are required to be entered onto the portal within seven days of issuing a bond or incurring an obligation or debt per section 37.850, RSMo.

A user link for the portal is available on the main page <http://mapyourtaxes.mo.gov/MAP/Bonds/HomePage.aspx>. In order to submit information, an entity will need to visit the portal website and obtain a secure user name and password. The user name and password can be created by selecting "create account" on the right hand side of the screen. Once credentials are granted, a user may enter the site to enter or update bond or debt information.

Most of the required fields on the reporting tool are self-explanatory; however, there have been questions regarding a couple of the fields. The description of the revenue stream is generally something such as revenue generated from a levy that was established, Classroom Trust Fund revenue, or local revenue. This list is not an all-inclusive list but provides a general idea as to what would seem to be an appropriate response. The description of the project would be a description as to what the project was, for example, a building project.

If you have questions regarding accessing the portal website, please contact OA at (573) 751-2971 or MAPBonds@oa.mo.gov. For questions regarding what debt should be entered on the portal please do not hesitate to contact School Finance at 573-751-0357.

SCHOOL GOVERNANCE

Boundary Change

If there is a change in your school district's boundary following the April election, please send a copy of the ballot with the legal description of the boundary change to the School Financial and Administrative Services Section.

Architectural and Engineering Services

From time to time school districts have questions about the required use of an architect or engineer for a construction project. A good source of information is the Division of Professional Registration at the Department of Insurance, Financial Institutions and Professional Registration, the number they can be reached at is 573-751-0047.

SCHOOL TRANSPORTATION

CDL License Checks

The Department of Revenue (DOR) recently reported to this department that they regularly hear from school bus drivers and/or their employers because their CDL does not include the proper endorsements, all school bus drivers should have on their CDL a P-Passenger Endorsement and a S-School Bus Endorsement. Each school bus driver's employer should regularly be checking not only the expiration dates for the licenses but checking for the proper endorsements. Also, make sure you instruct the drivers to check the CDL before leaving the license office to make sure that DOR issued the license with the proper endorsements on it.

2015-16 State Transportation Aid Calculation

The fiscal year 2015-16 state transportation aid calculation is available through the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance> under Financial Reports, Payment Transmittals. Input County-District number, the Payment Transmittal is then displayed. Click on the revenue name "Transportation" on the Payment Transmittal to access the transportation aid calculation.

This is the seventh live state transportation calculation made for the current year. The calculation is based on 2014-15 school year data submitted by the district on the state transportation aid documents included in Part IV of the Annual Secretary of the Board Report (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules).

The percent of reduction to the calculated entitlement computed for the April 2016 calculation is shown below. This reduction percentage represents the amount the entitlement exceeded the appropriation and will fluctuate from month to month as revisions are made to individual school district data. The percent of reduction and the A and B factors are also reflected on each district's Summary Transportation Report.

The percentage reduction and the A and B factors are as follows:

	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
April 2016	64.949662	3.439066	-1.401397

National School Bus Safety Week

National School Bus Safety Week is October 17-21, 2016. This Year's Theme is "Bully Free Zone". School Bus Safety Week posters can be obtained from the National Assn. of Pupil Transportation at (800) 989-NAPT.

Certified School Bus Driver Instructor Training

The Certified School Bus Driver Instructor recertification training will be held in Columbia on July 22, 2016. The Certified School Bus Driver Instructor workshop is scheduled for July 27-29, 2016, in Warrensburg. Registration forms for this training are available at <http://dese.mo.gov/financial-admin-services/school-transportation/certified-bus-driver-instructors>, also, a listing of all current Certified School Bus Driver Instructors can also be viewed at this site.

Non-Conforming Van Use

Any vehicle that transports 11 or more passengers including the driver that is newly purchased, leased, or contracted must be a school bus and meet all Missouri Minimum Standards for School Buses as well as all Federal Motor Vehicle Safety Standards for School Buses (with the exception of motor coaches).

A school district cannot purchase, contract, or rent 12/15/17 passenger vans for the transportation of school children.

MAPT Poster Contest and Award Nominations

The Missouri Association for Pupil Transportation has posted information for the School Bus Safety Poster Contest, School Transportation Administrator of the Year Award, Distinguished Service Award, School Bus Safety Competition Grant, Continuing Education Grant, and the School Bus Driver of the Year Award on the website at <http://moapt.org/awards.html>.

For more information contact Shirley Francis, Executive Director, Missouri Association for Pupil Transportation, at (314) 541-9557 or sfrancis04@aol.com.

School Bus Aisle Blocking

State Board of Education Rule 5 CSR 30-261.010 requires that school bus aisles not be blocked. As your district makes field trips and activity trips this spring, please ensure that all school bus drivers know and adhere to this rule. The aisles must be free of any obstruction so the bus, if needed, could be evacuated quickly without difficulties caused by the aisles being blocked by trash cans, coolers, book bags, band equipment, or other items.

Pre-Trip Inspection Requirement

5 CSR 30-261.010.1.K states "Boards of education shall require operators of school buses to conduct and prepare a record of the daily pretrip inspection for each school district." Additionally, 5 CSR 30-261.010.3.A.3 requires that school bus drivers: "Perform and prepare written documentation of the daily pretrip inspection which is to be submitted to the transportation administrator. Pretrip inspection of vehicles shall include brakes, steering components, lights, signaling devices, emergency door, tires and safety equipment, as a minimum. Any defects or deficiencies that may affect the safety of vehicle operation or result in mechanical breakdown shall be reported immediately in writing and driver shall not operate school bus until the defect or deficiency has been corrected ..."

Please make sure that the school bus drivers in your district are performing the above required daily pre-trip inspection.

Deputy Commissioner's Comments

Revenue Trends YTD

	YTD as of <u>March FY15</u>	YTD as of <u>March FY16</u>	Revenue <u>Change</u>	<u>% Change</u>
Individual Income Taxes	\$4,630,000,000	\$4,880,000,000	\$250,000,000	5.40%
Sales & Use Taxes	\$1,510,000,000	\$1,570,000,000	\$60,000,000	3.97%
Corporate Inc. & Franchise	\$362,500,000	\$318,100,000	(\$44,400,000)	-12.25%
Other Collections	\$304,900,000	\$311,500,000	\$6,600,000	2.16%
Increase in Revenue YTD			\$272,200,000	4.00%
Refunds (YTD)	\$847,600,000	\$882,100,000	\$34,500,000	Refund <u>Change</u> 4.07%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$5,959,800,000,000	\$6,197,500,000	\$237,700,000	3.99%

School District Trust Fund (Proposition C) YTD

Amount Paid to Districts for Month	<u>April Prior Year</u> \$63,432,268	<u>April Current Year</u> \$65,562,089	<u>% Change</u> 3.36%
Amount Paid to Districts YTD	<u>April Prior Year</u> \$698,610,728	<u>April Current Year</u> \$722,971,783	3.48%
Appropriation	\$848,739,000	(Percentage of Appropriation Paid YTD 85.18%)	

Gaming Revenue Trend

	<u>March Prior Year</u>	<u>March Current Year</u>	<u>% Change</u>
Change of Month	\$31,090,563	\$32,555,470	4.71%
Total Gaming Proceeds to Education	\$238,967,972	\$242,535,506	1.49%
Gaming Revenue Appropriated	\$343,456,910		

FY16 Classroom Trust Fund Distribution Paid YTD Through Current Month's Payment: *\$273,140,351 (79.52% of Appropriation)

*(Includes \$14,204,297 unclaimed Lottery funds, \$13,466,456 carryover Gaming funds and current month's revenue available at time of distribution.)

1. **General Revenue:** Moving into the last quarter of FY16, General Revenues continues a slow but steady pace. In order to hold a solid foundation for FY17, it is essential that this trend holds the remainder of the year.
2. **Proposition C Revenue:** As was the case with General Revenue, proceeds flowing in through Proposition C also continue to show increases. Again, it remains too early to predict whether or not the appropriation level for FY16 will be reached or if the supplemental increase, if approved, will be needed. The trend however, does suggest that revenue very well could exceed the original appropriation level.
3. **Gaming Revenue:** Gaming Revenues continue to move slowly ahead of last year.
4. **Lottery Revenue:** The Department has been informed that increased Lottery Revenues will be made available due to the Mega Jackpot. This additional revenue will be distributed through the Formula calculation in April, May and June. The availability of approximately \$30 million that had not been predicted to materialize at the beginning of the

year should mean that the Lottery Funds included in the Truly Agreed to and Finally Passed (TAFP) version of House Bill 2 for FY16 will be achieved. As the result of the infusion of the additional revenue, it appears the final State Adequacy Target (SAT) for FY16, depending upon the final payment WADA, could be in the vicinity of \$6,145 - \$6,150.

5. Budgeting for FY17

- While it is too early to say with certainty what the final SAT for FY17 will actually be, there is reason to be cautious about believing that the final payment SAT for FY16 of an estimated \$6,145-\$6,150 is sustainable.
- Why might the SAT for FY17 be less than the final payment SAT for FY16?
 - The primary reason is that any material increase for FY16 above \$6,110, which was the SAT payment amount for March, is the result of the significant increase in Lottery Revenues due to the Mega Jackpot.
 - Additionally, as was anticipated, the change in thresholds for FY17 will increase the payment Weighted Average Daily Attendance (WADA) which will lower the SAT because the total Formula funds that are available, will be divided by a greater number.
 - Both unaccredited and provisionally accredited school districts will be able to include early childhood 3 & 4 year olds in their ADA for funding. This too will lower the SAT because the total Formula funds that are available will be divided by a greater number.
 - The recent trend for summer school is that it is growing in recent years and is projected to do so again in the summer of 2016. This upward trend will also impact SAT because the total Formula funds that are available will be divided by a greater number.
- Does that mean because the SAT for FY17 might be lower than the final payment SAT for FY16 that the districts will see a drop in funding?
 - If the payment for FY17 is based upon a SAT that is less than the final payment SAT for FY16 that does not necessarily mean that a district will get less total foundation funding in FY17. Most Formula districts will see a positive impact in potential funding due to an increase of the payment WADA as the result of lowering the thresholds.
 - The increased appropriation for the formula should cover the cost of lowering the thresholds, the change in the Dollar Value Modifier, and the inclusion of early childhood funding in unaccredited and provisionally accredited school districts. The increase in summer school counts; however, remains an unknown that is still difficult to factor into calculations.
 - The result of the increase in appropriations, coupled with the increase of the WADA, should result in most formula districts, and some large school hold harmless districts, seeing an increase in funding.
 - The significant variable that might result in a district receiving less Formula revenue in FY17 would be a substantial decrease in ADA due to declining enrollment.
- What SAT should districts expect to see in FY17?
 - It is extremely difficult to make a prediction at this time. The major determinate will be whether or not Lottery Funds meet the amount realized in FY16 and increase sufficiently to cover the appropriated increase for FY17. In HB 2002, the House included an additional \$6.4 million above FY16 for Formula funding. The Senate increased that amount by \$5 million.
 - The other critical variable is the \$15.8 million appropriated increase that is budgeted to be available through the State Schools Money Fund.
 - If all appropriated revenue is available, the SAT would be closer to the final payment SAT that will be run in June, but most likely would not exceed it. If the Lottery and State Schools Money Fund revenues fall short of the appropriation the assumption is that the SAT will be less, probably nearer the \$6,110 level that was held during the first nine months of FY16.
 - As the result of these unknowns, each district will have to closely review revenue projections, arrive at their best estimate of their WADA, and determine what SAT to use for budget planning purposes. Hopefully, more guidance will be available as we move to the conclusion of this fiscal year.

Congratulations

Each year we do our best to track April bond and/or levy election ballot questions. Based on the information we have relative to the April 5 election results, it was a very good day overall. The information we have assimilated to date shows that sixty-one school districts had levy or bond issues on the ballot. Of that number, forty-nine (80.3%) were successful. The twelve that failed were either levy or bond issues that would have required an increase in the levy. Of those that passed, eleven were bond issues that required increases in the debt service levy. Additionally, fourteen districts were successful in increasing their operating levies resulting in a combined total of twenty-five districts rising in support to increase the investment in their local school district. Overall, 121,449 (63.5%) of the votes cast were YES, as compared to 69,729 (36.5%) NO.

Congratulations to all sixty-one districts that came forward with a vision and established a plan to put before their patrons. Though some districts did not achieve their desired outcome, those efforts continue to keep the discussion of the need for quality education programs and services before their patrons. Hopefully, those efforts will be fruitful on future election dates. A nearly two-thirds voter approval rate statewide continues to affirm the support for public education in the local school districts within our state.

Reflections

My thoughts this month are bit different due to my decision to inform the State Board of Education of my plans to leave the Department effective June 30. Though this will not be my last memo, I wanted to be sure that all were informed of the pending transition within the Department. You can be assured my plan will be to work hard with our staff to be of assistance to you through the remaining months.

Life is filled with transition which is always preceded by uncertainty and apprehension. This decision, like the one in November 2009 when I informed the Webb City Board of Education that I would be leaving at the end of the year, was challenging because it meant I would be leaving a position that I have been totally committed to. Though I have only been with the Department for six years, as compared to thirty-three years there, much is the same. My biggest regret now, as it was then, is leaving the wonderful staff within the Department and Missouri public schools with whom I have worked. The upside is that, after more than 300 trips to and from Webb City, on Sunday nights I will be able to leave my car parked in my garage rather than sitting in it 3 hours and 15 minutes in route to Jefferson City. I am looking forward to that!

My best wishes to each of you as the 2015-16 school year winds down.



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School Finance

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